

# BUDGET LETTER

		NUMBER: 08-15
SUBJECT: NO OVERTIME, HIRING FREEZE, SUSPENSION OF PERSONAL SERVICES CONTRACTS, TERMINATION OF TEMPORARY WORKERS AND <i>WHITE V. DAVIS</i> COMPLIANCE		DATE ISSUED: July 31, 2008
REFERENCES: GOVERNOR'S EXECUTIVE ORDER S-09-08 – PROHIBITION OF OVERTIME, HIRING, USE OF TEMPORARY WORKERS, CONTRACTING AND PAYMENT OF MINIMUM WAGE		SUPERSEDES:

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff  
Department Human Resources and Labor Relations Officers

FROM: DEPARTMENT OF FINANCE

**Budget Officers are requested to forward a copy of this Budget Letter (BL) to departmental Human Resources and Labor Relations Offices.**

Based on the Governor's Executive Order, absent a budget agreement, the state must start preserving cash immediately and achieving budgetary cost reductions where possible. This BL directs all agencies and departments under the direct executive authority of the Governor to take immediate steps to reduce expenditures regardless of funding source. The following steps are effective July 31, 2008:

- Prohibition of overtime.
- Freeze on new hiring, transfers and promotions; except in cases where a formal offer has been made and accepted prior to July 31, 2008.
- Suspend the use of all personal services contracts. Multi-year contracts for Information Technology (IT) systems and services are exempt from this prohibition if approved by the Office of the Chief Information Officer (OCIO). All multi-year IT contracts must be reported on forms provided by the OCIO. Form, due date, and instructions are located on the OCIO website at: [www.cio.ca.gov/exemption.html](http://www.cio.ca.gov/exemption.html). These contracts will remain in effect until an exemption determination has been made by the OCIO.
- Terminate the services of: retired annuitants, permanent intermittent employees, seasonal employees, temporary help workers, and student assistants.

Agency Secretaries are authorized to make limited exemptions from these prohibitions only in the following instances:

- An emergent situation to preserve and protect human life and safety.
- A need to provide 24-hour medical care.
- To avoid a significant revenue loss.
- To achieve significant net cost savings.
- Multi-year IT systems and services contracts pursuant to the OCIO exemption requirements above.
- To retain a worker who performs a unique and critical function. Unlike the other exemption categories listed above, an exemption under this category will require prior approval from the Governor's Cabinet Secretary.

Agency Secretaries and Cabinet-level Directors must report approved exemptions within 24 hours of approval. A format for reporting approved exemptions is attached. This report is to be submitted to the Governor's Office and Department of Finance.

The Department of Personnel Administration and the Department of Finance will work with the State Controller's Office to implement the provisions of the *White v. Davis* case for the August payroll. The court in its ruling directed that nonexempt FLSA employees be paid federal minimum wage when a budget has not been passed as long as the employees have not worked overtime. Employees paid from a continuous appropriation that remains in effect during a budget impasse may be paid their full salary.

/s/ Michael C. Genest

MICHAEL C. GENEST  
Director

Attachment